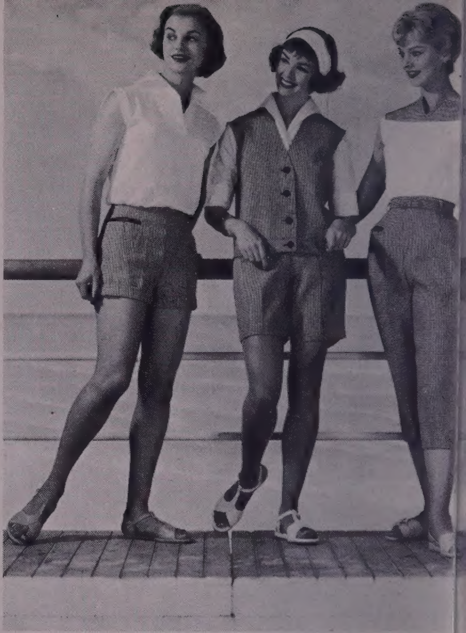
ary 7, 1959

Investor's Reader

For a better understanding of business news

GY AND PROGRESS
AT UNITED GAS
(see page 19)

CATALOG CUTIES



Last month Columbia Records put out a song by the Four Lads called "The Girl on Page 44." It is all about this lonely guy who was reading the Sears, Roebuck catalog. He sees this real cutie in short shorts on page 44, writes in to Mister Sears and Mister Roebuck to send her K O D (Kisses on Delivery). Actually the catalog Romeo is a little off base—there is no dreamgirl in shorts on page 44; page 97 of the Sears' Spring & Summer catalog boasts the bevy of shorted beauties arrayed at right.

While Sears reports a flock of inquiries for its new catalog—as well as for copies of the now Hit Paraded song—it has yet to notice any real boo in short shorts sales. And it doesn't sell cuties. However the general u- turn in retail sales has boded well for the Chicago retailer. For the ye just ended Sears' sales are estimated at a record $3.8 billion, up fro $3.6 billion last year. Earnings should be $2.15-to-2.20 a share v $2.5 in 1957 and a peak $2.20 in 1956.

Sears' success is due in large part to an aggressive expansion progra. In the past year alone it opened no less than 28 new stores in the US. t is also expanding rapidly in Latin America. At the end of the year Sec s operated 79 stores south of the border.

Another big item in Sears growth catalog is its highly profitable su- sidiary Allstate Insurance Company, the nation's No 1 auto insurer. A leader in fire insurance Allstate is also a growing factor in the life ins- ance field which it entered in 1957. Allstate profits for 1958 are figur d at a whopping $21,000,000 or more than double the year before.

In September Sears sold $350,000,000 of debentures; $50,000,000 we t to boost Allstate capital, the rest to repurchase a portion of the instalme t receivables Sears had previously sold to banks and for future expansio.

Meantime, Sear's stock has been making an impression of its own n the pages of NYSE quotations. It currently trades around 38, only t o points below the alltime high hit in 1955 and 13 above the 1958 lo.

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Investor's Reader

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Businessmen Look to Brighter '59

Annual Forecasts
Bode Busy Year
For Many Industries

MAKING ANNUAL forecasts at the end of the year has be-ome an increasingly popular pas-ime among many leading business-nen. Now the First National Bank f Chicago has come out with a new immick.

In one neatly titled booklet *The Outlook for Business for the First Six Months of 1959* it has consoli-lated predictions from ten industry eaders who participated in the bank's fifth annual panel discussion on the business outlook.

• Chairman Edward E Brown of host First National covered the fiscal ield: "On the whole I think the forces for tighter money or easier noney will counter-balance each other and interest rates for both short and long-term loans will stay about where they are now for the next nine months. The factors making for easier money or tighter money will unquestionably vary from time to time in that period. This is apt to cause temporary variations upward and downward in money rates but I think over the period the different factors will pretty much balance out."

• Joseph L Block, president of Inland Steel: "Ever since last April the economy in general and the steel industry in particular have been rising steadily from the low points established in that month. In my opinion there is every reason to believe that this trend will continue during the first half of the new year and most likely throughout 1959 * * * The total ingot production for the year should be between 110,000,000 and 116,000,000 tons. This compares with about 85,-000,000 tons in 1958, the 1955-57 average of 115,000,000 tons."

• Mark W Cresap, president of Westinghouse Electric: "The elec-

trical manufacturing industry will experience steady improvement in billings and orders during the first six months of 1959.

"Supporting the forecast of improving sales and orders is anticipation of increasing personal consumption expenditures, a strong and positive postwar economic influence. Optimism is based too on the fact that accumulation of business inventories will be under way during the first six months of 1959."

• Donald W Douglas Jr, president of Douglas Aircraft: "We do expect an increase in Government expenditures for missiles, space vehicles and supporting components which will in some degree offset the continued decline in aircraft orders. Department of Defense estimates for aircraft, aircraft spares, related equipment and aircraft ground handling equipment now stand at $7.2 billion for fiscal 1959 as against $8.4 billion for fiscal 1958. Expenditures for missiles and support equipment are estimated at $3.4 billion for fiscal 1959 as against $2.7 billion for 1958. Past experience suggests that about 51% of these funds will be expended between January 1 and June 30, 1959.

"In summary, our industry foresees a stable six months ahead, barring international complications, and looks beyond June 30 to a steady acceleration of the nation's missile and space-age programs."

• Willis D Gale, chairman of Commonwealth Edison: "With industrial sales now improving, the first six months of 1959 should be a record period for electric utilities * * *

Electric utilities serving non-indu
trial areas have continued to sho
substantial growth despite the r
cession.

"To sum up—if we continue to b
reasonably successful in our batt
against inflation, I expect the fir
half of 1959 to be good for th
electric utility industry. For the lon
pull I am decidedly optimistic."

• Charles H Kellstadt, president
Sears, Roebuck: "A larger popul
tion with increased purchasin
power will spend more for goods i
the first half of 1959 than in an
like period in history * * * Mode
ate improvement in sales of co
sumer durable goods is expecte
* * * Sales of nondurables will i
crease steadily. A growing popul
tion consumes larger quantities
food, clothing, drugs and other pe
sonal goods, and higher incomes a
a plus factor. Probable easing
food prices may augment spendin
for other types of goods. The e
trance of the postwar baby popul
tion into the ranks of the teen-age
is tending to increase per capit
consumption of apparel.

"In summary, the outlook for r
tail sales is one of continued a
vance with the possibility of th
rate of increase over 1958 slowin
up by the end of the first half."

• Franklin J Lunding, chairman
Jewel Tea: "Retail sales of foo
stores in the past decade have ge
erally paralleled the trend of di
posable personal income of th
country and I know of no reason t
expect this relationship to be diffe
ent in the near future. Disposab
personal income is expected to b

in the first half of 1959 from rrent levels and possibly by 5% more from the first half of 1958. sing income should thus again be factor pushing up food sales."

Louis B Neumiller, chairman of terpillar Tractor: "A recovery in broad market for construction chinery has been in evidence ce late Spring * * * There is no esent indication that recovery is minent in industrial plant con- uction; however, the decline in s category appears to be over. rrent expectations are for a high- level next year in commercial nstruction, especially stores and opping centers, and in public con- uction—educational buildings in rticular. Residential building has o increased substantially since t Spring. With lumber demand reasing and inventories reduced, chine sales for woods operations e expected to improve next year.

"The construction machinery siness is currently in its slow son; a seasonal peak usually oc- rs in the Spring. As a result of s seasonal influence—and the er factors mentioned here—we w expect a higher level of busi- ss in the first six months of 59."

Frank O Prior, chairman of ndard Oil of Indiana: "Any fore- st for the oil industry in the first months of 1959 must be viewed ainst the background of the fact t 1958 has been a poor year for roleum * * * We expect an in- ase in domestic demand for oil the first six months of 1959 to tch the probable increase in the Gross National Product. This would be about 5% above the levels of first-half 1958.

"Because crude oil inventories are reasonably low, it will be possible to supply this demand with new production rather than through withdrawals from stocks as happened in 1958. Consequently, domestic production in the first half of 1959 should average about 8,000,000 barrels a day as against a 1958 figure of 7,245,000 barrels a day. This would be an increase of about 11%.

"But expectations for 1959 rest on the assumptions: 1) that the weather will be normal, and 2) that the Government's program for imports limitation will succeed * * * The outlook for the petroleum industry, then, is for an encouraging but not spectacular advance in first-half 1959. As of the moment, it seems likely this trend will continue throughout the year."

● H C Turner Jr, president of Turner Construction: "For 1959—Highways will continue up. Housing, largely because of limited money supply and less attractive terms, will do well to hold its own. Commercial building will be little if any higher. Industrial contract volume, which has been at a low level for the past year, should show some gradual improvement during 1959 as business volume increases and as business leaders indicate more confidence in the future.

"In other words, I am not as optimistic as many of the published reports and I do not anticipate boom conditions in construction."

Big Roar From Flying Tiger

No 1 Cargo Line Sees Big Future In Air Freight Hauls

THE SABERTOOTHED tiger which proudly decorates the nose of the shiny new Super-H Constellations of the Flying Tiger Line Inc is a throwback to General Claire Chennault's famous War II Flying Tigers who terrorized the Japanese Air Force. Many of them later participated in the first "airlift," flying supplies over the "Hump" from India to China. One of the pilots to fly both stints was former Navy flight instructor Robert William Prescott who emerged from the war with six downed Japanese planes to his credit. His sights still airborne, the young ace started up the nation's first all-freight and contract airline in June 1945.

Bob Prescott soon found piloting a new firm in the infant air freight business almost as rough as flying the Hump. There was a paucity of business (scarcely anyone airshipped except for emergencies) and an over-abundance of price-cutting competition. Nonetheless late in 1949 Flying Tiger became the first all-cargo line to be certificated when the CAB granted it US air freight route No 100.

Grownup Tiger. Today the $34,000,000-assets Tiger accounts for 90% of the business done by all-cargo lines, flies 28% of the entire domestic air freight business, counting in the cargo business of the passenger lines. It serves 26 cities directly on its coast to coast run; scores of others are tied in by spe cial truck service.

Bob Prescott feels air freight i "definitely catching on." But as ye the bulk of Tiger operations (57% in the June 1958 year) comes fron military charters. As a sideline th company also flies across the At lantic on civilian group charter.

Earnings-wise the military busi ness is still important since the com pany has yet to finish a full yea with its common carrier air opera tions in the black. Thanks in part t the defense charters, the compan has managed to show an operatin profit in eight of the past ten years In addition the Tiger—like mos airlines — reported important in come additions through profitabl sales of its old aircraft. This has re sulted in special capital gains cred its for nearly every year since 1951 As a result, the final Tiger profit total has been in the black each yea since 1949 except for 1954—whe there was no special credit.

More from MATS. The use plane market has turned sour bu Bob Prescott hopes to offset thi with sweeter operating profits. H looks for more military business Last year the Military Air Transpor Service (MATS) gave $57,000,00 worth of business to commercia carriers with fully one-third goin to Tiger. In its fiscal 1959 appropri ations Congress allocated $80,000 000 or roughly a quarter of the to tal MATS transportation budget t be placed with commercial line

But the determined Tiger is sti

paring to make a go out of commercial air freight. In May the line managed to bring its commercial freight operations into the black for the first time—and they have been there every month since. Bob Prescott figures: "With luck we can hold this position and we hope to have our first year with these operations in the black."

If he succeeds it will be due mainly to two reasons: 1) a big increase in the line's load factor and 2) the efficiency of its new fleet. The current load factor is 82% which means over four-fifths the available cargo space on the average Tiger flight is stacked with revenue freight. Last year, the load factor was 72%. One reason for the increase: chief competitor Slick Airways exited from the domestic air freight business last February.

The increased business can also be traced to a vigorous campaign on the part of cargo carriers to prove air cargo is often less expensive in the long run than ground shipments. Though the basic shipping cost may be more by air, greater warehousing, distribution and insurance charges add to the cost of rival transports.

To prove this point Flying Tiger has initiated what it calls "our distribution pattern selling program." Rather than wait for a prospective shipper, a Flying Tiger team of experienced salesmen approaches the company and makes a detailed analysis of its shipping needs.

Pet Projects. Like most everyone in the aviation industry, Flying Tiger has submitted a number of pet projects to the CAB—where, also as customary, they are (or almost surely will be) vigorously opposed by affected competitors. Last week the adventuresome Tiger applied to the CAB for the first scheduled all-cargo route to the Orient. It hopes soon to get temporary authority for 15 roundtrips a month. "We feel this will give us an opportunity to prove our claim that there is an undeveloped air freight market in the Pacific."

Tiger captain Prescott

Through another CAB petition, Flying Tiger hopes to boost its mail revenues. It asked the Board to lower air mail rates to 23½¢ a ton mile from the 40¢ going rate now paid all non-subsidized carriers. Since mail now accounts for only "a fraction" of its revenues, Flying Tiger figures if the proposal is adopted it would bring a lot more mail to the all-cargo carriers. Says Bob Prescott: "This is the greatest

thing in the industry since air coach."

Coupled with its search for new business, Flying Tiger has also made a big stab at cutting its own costs. One way has been to continually upgrade its equipment. In the little more than ten years of Tiger operation it has changed fleets three times. With the Connies "we have the most efficient equipment of any air cargo carrier today."

The company has one more step to go—jets. Meantime Bob Prescott is not afraid of competition from the turbine craft. He explains: "Freight is different from passengers. The extra four hours means a lot to people but an overnight trip for freight is as quick as anyone wants. The shipper is not ready to ship until the end of the day and certainly no one is going to pick it up until the next morning." Flying Tiger wants jets "purely for economy. Turbine power can cut our costs in half. In the next year or so we'll look into getting some jets bu I can't exactly say when." Whe that time comes Bob Prescott fig ures "it will cost us $45-to-50,000, 000 regardless of whether we ge turboprops or full jets and this tim we will have to figure on financin without help of our 'trade-ins'."

In preparation Flying Tiger joine the other all-cargo lines in request ing the CAB remove conditions i their certificates prohibiting subsi dies. It argued the all-cargo line are presently the only certificate air carriers without a subsidy priv ilege; and whether needed or no this privilege acts as somewhat of psychological prop in luring pros pective financers. However in mid December the Board turned dow the original request, instead ordere a full-scale investigation "for th purpose of evaluating the all-carg experiment."

Unsubsidized Flying Tiger ha flown a good first leg in what Bo

Full load for a Super Connie

escott figures will be "our best ar in history." In the three months ded September revenues climbed % to $9,910,000. While total net come was down slightly to 90¢ a are from $1.01, profits from operons alone came to 67¢ or more an double the 26¢ earned last ar. Much of this was due to a arp rise in air freight traffic which s up 40%.

Figures for the quarter just end- are still in the computers. Tradinally a poor period "since MATS tually closes down in December" rnings are nonetheless figured se to 15¢ for the quarter comred to only a penny last year. For e full year which ends in June b Prescott refuses predictions. "It oks rosy but just how rosy dends on how well committed our o extra (leased) aircraft are." In e June 1958 fiscal year Flying ger earned $1,308,000 or $1.28 a are on revenues of $34,000,000.

Apparently Tiger's 5,500 stocklders reflect Bob Prescott's optiism. The company's 983,000 comon shares trade on the American change at an alltime high of 12. head of the common are 99,000 ares of 50¢ cumulative preferred d $11,650,000 in long term debt cluding $3,720,000 in convertible bentures.

While the company has paid no sh it has disbursed 5% in stock each of the past two years. As r a cash dividend: "I'm philophically in favor of it but we'll ve to feel on level ground before e do. I figure we're just about one ane away from that solid future."

AUTO EQUIPMENT
Clevite Widens Margins

DESPITE THE slow 1958 auto year, parts maker Clevite Corp rolled into 1959 at a relatively fast clip. After a boost in 1958's third quarter profits to 49¢ a share from 39¢ a year ago "the fourth quarter was even better." Even more encouraging—despite a 1% drop in volume in the last six months of 1958 profit margins widened to 6.3% from 4.4% in the same period a year ago. President William G Laffer explains the pickup: "We're running a tighter ship; we've eliminated excess baggage; we've got better equipment and tooling; we have more effective market penetration with fewer people."

While the last half of 1958 was in high gear full-year figures still lag far behind 1957. The company reports sales down an estimated 11% to $63,000,000 while Wall Streeters figure earnings at $1.70 *v* $2.08 in 1957. But undaunted Clevite stock sells around its 1958 high of 25 on the NYSE.

Nearly two-thirds of Clevite output rides on equipment for the transportation industry — namely, bearings and bushings, vibration mounts, front wheel suspension systems. The rest goes largely into electronics. The company produces transistors, magnetic recording devices, acoustical equipment. "We're making good progress."

With the upturn in general business plus improved operating economies he feels 1959 volume will approach $71,000,000 and "profits will improve as well."

TAXES Discounted Government Bonds Offer Estate Tax Advantage

As the old adage goes, "nothing is certain but death and taxes." In the case of inheritance & estate taxes, these two certainties come together with an unfortunate impact. Thus estate planners try to make sure as much of their worldly goods as possible will be safeguarded for their heirs.

Federal estate taxes are levied on estates of over $60,000—or in some cases with a married decedent—of over $120,000. One chance to reduce the bite is now open thanks to prevailing prices in certain Government bonds. Under present regulations the Treasury will accept at par value plus accrued interest any of some 16 Government bond issues in payment of Federal estate taxes. As the table below shows, these bonds can now be bought at substantial discounts from par. For instance a 3 of 1995 can now be bought for 86 14/32 or about $865. In event of the buyer's death, it is worth $1,000 in payment of Federal taxes—a saving of almost $125 or 12½¢ on the dollar. The only requirement: the trade by which the bond was purchased must have been completed prior to the purchaser's death. Although the estate pays $1,000 worth of taxes with a security which cost the decedent only $865 it need pay no capital gains tax on the increase between purchase price and tax value.

Bonds which may be applied at par towards estate taxes are valued in the estate at par or market—whichever is higher. If the market price is above par, the par value cannot be elected to lower the total estate valuation. If an estate contains $150,000 in the privileged bond issues selling at 101 and has a $100,000 tax liability, the bonds would nonetheless be valued at $151,500. However if the market price is below par only the amount of those bonds which may be applied in payment of the tax need be valued at par. Thus if the bonds in the same estate were selling at 90, only $100,000 worth would have to be valued at par while the remaining $50,000 would be valued at 90.

Thrifty as the plan is for tax payment purposes, however, it does not necessarily mean savings for all estates in the long run. First off when he elects to purchase privileged bonds at current market levels, the estate planner cannot count on the full advantage of the difference between market and par; the higher par

valuation put on the bonds increases the estate, ups the estate tax bill somewhat.

Also, during his lifetime, the bond buyer may sacrifice more attractive investment situations (tax-free municipals, growth stocks on which appreciation would be taxed at a lower capital gains rate than the high income tax rates, etc) for the sake of buying and holding the bonds.

For example, the taxable estate of David Doe is $5,000,000. It contains 500 estate-tax privileged Government issues bought for $450,000 but valued at $500,000. The tax on the estate with the bonds thus valued would be $2,070,000. If the same estate contained the same number of municipals with a market value of 90 the tax would be only $2,044,000 as municipals are valued at market prices. However, the estate saves $50,000 when it pays the estate tax with the privileged Government bonds. Thus the tax really only costs $2,020,000 or $24,000 less than if the estate had municipals instead of the Governments. On the other hand if David Doe is in the 91% income tax bracket his return after taxes on his Governments (figuring on a 3.7% pretax yield) would be only $1,500 or a return of just about one-third of 1% on his investment; but his take on tax free municipals with the same yield would be $16,650. Consequently if he held the Governments for four or more years he is worse off than if he had held the municipals and retained the income from then until his death.

BONDS FOR THE ESTATE PLANNER

Issue	Maturity	Quotation close 12/22 Bid	Asked	% Yield To Maturity	Issue	Maturity	Quotation close 12/22 Bid	Asked	% Yield To Maturity
2¼	6/15/62-59	95.10	95.14	3.66	2½	3/16/71-66	86.24	87	3.84
2¼	12/15/62-59	95	95.8	3.61	2½	6/15/72-67	86.14	86.22	3.77
2½	6/15/67-62	90.16	90.24	3.79	2½	12/15/72-67	86.14	86.22	3.72
2½	12/15/68-63	88.20	88.28	3.85	3⅞	11/15/74	99.28	100.4	3.86
2½	6/16/69-64	87.24	88	3.91	3¼	6/15/83-79	90.28	91.4	3.81
4	10/1/69	101.4	101.12	3.84	3¼	5/15/85	90.12	90.20	3.82
2½	12/15/69-64	87.20	87.28	3.86	3½	2/15/90	92.10	92.18	3.92
2½	3/15/70-65	87	87.8	3.91	3	2/15/95	86.6	86.14	3.68

(Government bonds are usually quoted in thirty seconds, hence the 95.14 quote on the first bond in the list represents 95-14/32 and so on.)

WALL STREET

The Voice With a Smile

AFTER YEARS of rumor and rumblings (IR, October 15, *et ant)*, the 19 directors of American Telephone & Telegraph have decided to split the stock. As almost every investor knows, the proposed split is 3-for-1; the famed $9 dividend will rise 10%; the shareholders will joyfully approve on April 15.

South African Trust

INTERNATIONALLY-MINDED investors, long-familiar with tales of the veld, can now buy a chunk in the future of the Union of South Africa on the NYSE. Formed in June and listed only last month American-South African Investment Company is a closed end investment trust with a stake in at least 26 South African gold mining companies, four coal mines and nine industrial firms. They range from Anglo-Transvaal Industries (glass manufacturing, tanning and fisheries) to O K Bazaars (a chain of dime stores).

Capitalization consists solely of 1,200,000 common shares sold last September which since listing have traded close to the offering price of 28. American-South African (ticker symbol ASA) investments, most of which trade on the Johannesburg Stock Exchange, have done well. Since September its original portfolio worth $27,500,000 has appreciated 14% to a market value of $31,400,000.

More than 50% of this investment is in gold stock. For more than half a century South Africa has been the No 1 world gold producer and even though the price of gold has remained at $35 an ounce since 1933 when the US went off the gold standard, gold continues the Union's most important and profitable export. But it also has other valuable mineral resources. Among them: coal, diamonds, copper, manganese and chrome.

The trust's heavy South African interest is no flighty venture. Chairman is long-time South African investor Charles W Engelhard of Newark who is also chairman of metal minded Engelhard Industries. Engelhard president Gordon V Richdale serves as ASA deputy chairman. As such both have a keen faith in the Union which has undergone rapid industrial growth in recent years. However key question for the future rests on acceptance of the government's policy of Apartheid or separate development of racial groups. The Union has 14,500,000 inhabitants; less than one-fourth are white. However deputy chairman Richdale, who lived in South Africa for 15 years and makes return visits twice a year, says: "I don't think there is any likelihood of racial difficulties in the foreseeable future."

He adds: "Business prospects in South Africa are excellent, particularly from the point of view of the investor. The country is economically very sound, industrially progressive and politically stable. And

also has vast natural resources."
To date ASA has paid no dividends ut deputy chairman Richdale says: We anticipate the first dividend ill be paid some time this year. ince we expect to reinvest a large ortion of our income, the total divlend payment for the year should ot exceed 2% of the asset value. Ve have not decided yet how many mes a year dividends will be paid." 'o facilitate payments ASA has a en-year agreement with the South frican Reserve Bank to convert ounds earned into dollars.

IANUFACTURING
Iammond Hits

EVERY weekday evening George Overin, a salesman at the Jack ahn music store in Freeport, LI acks a chorus of chord organs nade by Chicago's Hammond Oran Company into a shiny blue & hite Volkswagen "bus" and begins round of visits with prospective ustomers. Some of the music lovers n his list may be folks who showed n interest in the Hammond carouel promotion (a merry-go-round quipped with two Hammond orans—IR, Oct 3, 1956) at county airs this Summer. Others may have ent in a coupon from one of the any Hammond magazine ads. At ny rate in each case when George arks his Volkswagen for a call he arefully moves one of the organs ight into the customer's living oom for an on-the-spot demonstraon. When he pulls away the organ ften remains parked in a new home.

Such ambitious techniques on the art of its 400 dealers have helped transpose 30-year-old Hammond from a small electric clock maker into the nation's leading electric organ manufacturer. For the first five years of Hammond life electric clocks were its chief product. It also marketed a limited number of electric bridge tables which automatically shuffled and dealt the cards plus some experimental phonograph motors and automatic record changers.

In 1935 Hammond changed its tune, introduced its first electric organ. The music maker became the company's No 1 product and has remained atop the list ever since save for War II when Hammond converted its plant to make electro-mechanical devices for the armed forces.

To further swell sales tone, Hammond has added a limited number of other harmonizing electric musical instruments. One of the most

Ethel Smith at Hammond keyboard

successful: the Solovox, a piano keyboard attachment which produces a range of musical tones, is used to simulate added solo voices of various other instruments with piano music.

But the organ still remains far and away the No 1 piece of the Hammond orchestra. Most popular of the five Hammond models is the small spinet organ which retails at $1,365. Another big seller is the chord organ which requires very little musical training to play. The Hammond line ranges from $985 for the small chord up to $3,600 for the large concert model. About 90% are sold to private homes and churches. A great many banks also buy or rent organs — particularly during the holiday season for customer serenades and employe songfests.

A big boost to Hammond sales are the hundreds of Hammond organ music studios throughout the country where people can take lessons and enjoy the easy-to-play instruments. In addition Hammond organ societies and club chapters provide a center of interest for owners and prospective buyers.

The popular organ has helped Hammond expand sales from a mere $8,800,000 in 1947 to a record $27,900,000 in the year ended March. The Hammond profit song is also tuneful. Net income has climbed from $1,380,000 or 92¢ a share in 1947 to a peak $3.27 a share in fiscal 1957, fell slightly to $3.07 for the year ended last March "due to increased expenditures for research and development."

In the six months ended Septen ber Hammond sales fell 17% whi earnings dipped to 97¢ a share fro $1.23 the year before. However pre ident Stanley Sorenson expects th company "equaled or exceeded th record sales and earnings of $1.15 share made in the December (third quarter a year ago." For the fu fiscal year ending this March re sults "will compare favorably wit last year."

Hammond stock reflects his op timism. The 1,500,000 shares o Hammond common trade on the Bi Board around 40 up from 26 earlie this year.

TIRES
Firestone Traction

THE ALREADY hearty chorus o distinguished prognosticators o a bigger & better 1959 (see page 1) was swelled last week by the brothers Firestone: chairman Harvey and president Raymond of the Firestone Tire & Rubber Company. In the 1958 annual report just mailed to stockholders they predict: "We anticipate increased sales of new passenger cars, trucks, tractors and road-building equipment in 1959, which will enlarge the market for original equipment tires. Motor vehicle registrations are the highest in history and this should expand the market for replacement tires and hundreds of other products sold through our dealers and stores. These highly favorable sales prospects lead us to believe that 1959 will be a year of excellent opportunities for increased sales and profits."

Basis for this optimism can already be found in results for the fiscal year ended October 1958. The attractive annual report whose cover features a giant, non-skid "triple action traction" tire does much to attest to Firestone's own special-traction non-skid action in the past year.

Sales totaled \$1.06 billion compared to \$1.16 billion in fiscal 1957, a decline "caused largely by lower production in the automotive industry." Earnings came to \$6.36 a share *v* \$7.49 the year before. However the report points out proudly: "Fourth quarter net profit was the highest of any quarter in the history of our company." What is more the recovery was accomplished before increased auto production really began to roll.

Other 1958 treads traced by the Firestone report:

- Manufacturing capacity was increased at Des Moines, Iowa and Orange, Texas. Facilities in Canada, Britain, Brazil, India and South Africa were also expanded. However overall 1958 capital expenditures of \$37,800,000 were almost 45% below 1957.
- Firestone plantations in Liberia produced the highest volume of natural rubber in their history. Planting was started at a new 2,500-acre rubber farm in the Philippines and its Brazilian plantation was increased to 3,000 acres.
- Firestone organized a company to manufacture tires and related products in Portugal, acquired a substantial interest in a Mexican tire outfit. The report hails: "Demand for rubber abroad was the greatest in history because of record high production of automotive vehicles and improved economic conditions."

"Action Traction" in the press

- On the road, the company's tires again proved themselves. For the thirty-fifth consecutive time Firestone outfitted the winning car at the 500-mile Indianapolis classic; for the twenty-ninth, they fitted the auto which took first place in the Pike's Peak Climb and again they wheeled the winning car in the second International 500-mile race at Monza, Italy.

Meantime, Firestone stock has been making some speed records of its own. Last year the shares rolled from a low of 83 to an alltime high of 136; at presstime they traded on the Big Board at 131.

A Firestone spokesman remarks on the 1959 outlook with a smile: "We're not going to skid, we have plenty of traction; this year we're really going places."

A MODEL HOME FOR CALVES

Obviously anticipating his dinner, the affectionate Holstein calf pictured below is being reared with Spock-like care by Nutrena Mills, animal feed subsidiary of giant, privately-owned grain operator Cargill Inc. For three months after birth Nutrena calves live isolated from their mothers and other calves in special structures called "calfloos." During this time they are sheltered from all adverse weather elements, fed special diets for each phase of calfhood and are even given their own individual feed buckets.

Introduced in September, the calfloo system follows Nutrena's "Pigloo" which went into commercial production this year after two years of testing. Unlike the new calfpen, the pigloo merely separates the sow from her piglets by a series of bars. It thus allows the pigs to feed naturally but prevents the mother from rolling over and crushing her offspring. The isolation feature of both has reduced the mortality rate of the young animals. Nutrena claims only 5% of its calfloo-raised calves die. This compares with a national loss rate of 20% which costs the industry an annual $95,000,000. Only 2% of the pigs farrowed in pigloos this year died from crushing v the national average of 14%. Moreover practically none succumbed to disease whereas the industry suffers an overall disease loss of 10%.

Although calfloos are still in the experimental stage, Nutrena vice president D R Ross claims "pigloo sales are far above our goals and quotas." Cargill declines to give out specific figures but last July, Nutrena president James C North asserted sales & production set alltime highs in June, thanks in good part to pigloos (a 900-pig unit costs $11,000).

Important though they may be to the calves, pigs and Nutrena, the new model animal homes are just a fraction of parent Cargill's overall business. One of the biggest operators, exporters and dealers of grain in the US, Cargill is represented on all principal commodity exchanges and chalks up a billion-dollar gross every year.

APER
nger View at St Regis

WITH sales & earnings on the downgrade for the second con-
cutive year, St Regis Paper Com-
ny president William R Adams
cently took an optimistic longer
ew. He predicted 1960 earnings
$3.65-to-4.25 a share. This com-
res with 1957 profits of $2.53
hare and a high of $3.04 in 1956.
r 1958 the young-looking 50-year-
l president (he took over in 1957
om Roy King Ferguson who re-
ains as chairman and chief exec-
ve officer) expects earnings were
omething close to but a little more
an $2.25 a share."

The No 3 paper company (after
ternational and Crown Zeller-
ch) has suffered from slow sales
the face of greatly expanded fa-
ities. A new $40,000,000 kraft pa-
rboard machine swung into oper-
on in 1957 and boosted capacity
the two Jacksonville mills from
0 to 1,300 tons a day. Acquisition
two Pacific Northwest lumber
mpanies (St Paul & Tacoma Lum-
r of Tacoma and J Neil of Port-
nd) added four sawmills, a ply-
ood mill and 44,000 wooded acres
Regis facilities.

Regis blames start-up costs and
used capacity for a large part of
e 25% drop in first half 1958
ofits while sales eased 5%. Third
arter earnings reversed this trend,
se to 59¢ a share *v* 51¢ for the
me 1957 quarter while volume im-
oved by 3%. This left nine-month
les at $261,000,000 or only 2%
low last year and profits at $1.52
share *v* $1.75.

Meantime St Regis has made its first venture onto the Dark Continent. The company recently announced acquisition of a half interest in three South African container manufacturers with combined sales of about $5,000,000 a year.

St Regis stock (ticker symbol SRT) has fluctuated more violently than company fortunes. The 1,160,000 common shares hit an alltime high of 60 in 1956, then slipped sharply. In 1957 they dropped from 48 to 23, have now returned to 45. This makes for a 3% yield on the current $1.40 annual dividend.

Although the company has announced it may consider a stock dividend this year, it claims it has no plans to restore the $2 annual rate which had been maintained through April 1957. Instead it plans to retain earnings to help finance a $15,000,000 capital expenditure program in 1960-65 which will be needed to utilize the new Northwestern timber reserves.

METALS
Eagle-Picher Pitch

NO COMPANY president likes to report a profit dip. One of the least dismayed, however, is Thomas Spencer Shore, president of lead & zinc miner Eagle-Picher Company (IR, May 30, 1956). Last week the 55-year-old president stated: "While general business is down about 15% to $99,000,000 and full year 1958 profits are about 40% of 1957 we've done better this time than during any other recession."

No chance matter, for ten years Eagle-Picher has actively explored

for new products to lessen its dependence upon the volatile lead & zinc business. Today mining brings in only 20% of business. The rest comes from a variety of new enterprises: chemical oxides; aluminum storm window enclosures; fertilizer elements; rubber products; plastics; waxed paper; cellophane food wrappers. Biggest customer is the auto industry.

In the past two years the company has spent $9,000,000 on its diversification drive. In 1957 it bought Gora-Lee Corp, maker of bibb and screw washers, tack bumpers and other rubber products. The same year it began production of silicon for use in semiconductors. The company was already No 1 producer of germanium, still the key element for many transistors. Last year it finished up a diatomaceous earth (which is used in fertilizer, insulation products and as an oil absorbent) processing plant in Lovelock, Nev. President Shore promises: "We will continue to expand and diversify both within and without. However we will probably be busier taking care of expansion from within now. We've finally gotten this thing out of neutral."

Diatomaceous earth works

Meantime Eagle-Picher is doing "everything possible to reduce expenses and increase profits." Spencer Shore remarks: "If anybody thinks of any new ways we would sure like to try them." As for 1959 the president feels a lot depends upon the auto industry. "If it goes as well as I hope our volume should be back to the 1957 level." Profits for 1959 are figured around $4-to-5 a share. This compares with $2 estimated for 1958 and $4.25 earned in 1957.

With these encouraging prospects and maintenance of its annual $2.20 dividend Eagle-Picher stock has shot ahead in the recent bull market. It currently sells around its 1958 high of 45 on the Big Board, only three points from the alltime high of 48 reached in 1956.

ELECTRONICS
Topp Turnover

AFTER SEVEN years of chameleon-like existence, $11,000,000-assets Topp Industries is still on the move. In November it sold insert tool subsidiary Heli-Coil for $1,200,000 more than its 1956 cost. It then turned right around and started proceedings to buy US Semi-Conductor Corp, an Arizona electronics maker. The reason was much the

same as the one which prompted Topp last January to divest itself of aircrafts systems subsidiary Haller, Raymond & Brown: desire to integrate more in industry products, less in military fields.

Founded in 1951 to design & sell aircraft electronic systems, Topp bought both HRB and Heli-Coil in 1956. Then defense contract cutbacks hit Topp hard. Although sales climbed 14% to $10,300,000 in the year ended April 1958 the California electronics maker reported a $132,000 net loss before the $1,012,000 non-recurring gain from sale of HRB which left end results $1.26 a share in the black. In fiscal 1957 Topp earned $467,000 or 82¢ a share.

While Topp hopes full year sales in fiscal 1959 will approximate 1958, with start up costs of two new divisions Topp profits continued to lag for the first six months of fiscal 1959. But lack of profits are not reflected in Topp stock. From a low of 8 earlier in 1958 the 850,000 shares had doubled by November in the over-the-counter market. They have now settled around 13.

Part of the big rise in Topp stock may come from potential of its two new divisions. The communications division makes electronics systems and components for missiles and unmanned jets. The industrial controls division manufactures the Micro-Path system which offers relatively inexpensive ($12-to-$25,000) automatic data processing to smaller plants. Topp president Bernard F Gira hopes this new system will double or possibly triple Topp sales in the next few years.

BUILDING MATERIALS
National Gypsum Grows

IF ALL GOES according to plan, the Olean Tile Company of New York will be the first 1959 acquisition of leading building materials supplier National Gypsum Company of Buffalo. Olean is an important manufacturer of ceramic tile with sales for 1958 estimated at $4,500,000. National will buy Olean for 45,000 shares of its own stock. This acquisition plus the August 1958 addition of American Encaustic Tiling (1957 sales: $12,500,000) makes ceramic tile National's second largest product line. No 1 is gypsum building products.

These days National feels chipper. Its third quarter was the best in company history with sales up 37% and profits up 43% from 1957. This raised nine-months sales 11% to $119,600,000. Similarly earnings rose 14% to $11,300,000 or $2.61 a share.

National credits its good showing to two factors: 1) an improved market for gypsum and asbestos products; 2) new products like plastic coated asbestos shingles.

The company's position in the industry squats firmly on rich deposits of gypsum in Tawas, Mich and Halifax, an asbestos quarry at Thetford Mines, Quebec and in its 38 plants located near major markets throughout 26 states east of the Rockies.

In the last decade sales of the $185,000,000-assets company have increased steadily from $68,000,000 in 1948 to an estimated $162,000,000 in 1958. Earnings reached

a high of $15,760,000 ($4.61) in 1955 but dropped to $12,790,000 ($3.16) in 1957.

With the general business pick-up plus an increase in home starts (calculated at 1,200,000 for 1959) National figures this year's sales should increase 11% to $180,000,000.

BANKING
Morgan Guaranty

IF ALL the necessary "ayes" are voted, sometime early this year the famous occupant of the equally famous southeast corner of Broad and Wall in Manhattan's financial district will change its name. Venerable prestige banker J P Morgan & Company Inc hopes to merge with $3 billion-assets Guaranty Trust Company of New York to become Morgan Guaranty Trust Company of New York.

The merger will bring together two of the nation's foremost wholesale banks (institutions which deal mostly with business firms and other banks). Morgan is the 96-year-old descendant of the original J Pierpont Morgan partnership and 94-year-old Guaranty claims as customers "nearly all the country's 100 largest corporations." Total assets for the new bank will come to almost $4 billion, capital funds to $508,000,000. With combined deposits of about $3.2 billion it will rank No 4 among the nation's banks (after San Francisco's Bank of America, New York's Chase Manhattan and First National City). Guaranty now holds ninth place; Morgan is No 22.

Under the terms of the merger, holders of the 350,000 Morgan shares will receive 4.4 shares of the stock in the new bank while the 6,000,000 Guaranty shares will be exchanged for Morgan Guaranty stock on a 1-for-1 basis.

Comments current Guaranty chairman J Luther Cleveland who is slated to be chairman of the executive committee: "The two banks merged as one could service commerce, industry and individuals more effectively." Morgan chairman Henry Clay Alexander who will become board chairman and chief executive officer seconds this reasoning. He feels the combination will put the banks in a position to care for "our clients' increasing needs and our country's growth even better."

While the merger news caught most Wall Streeters by surprise, the consolidation is a "natural" for the two money wholesalers. J P Morgan will benefit from Guaranty's exceptionally strong capital position with its corresponding ability to serve as a base for loan & deposit expansion.

On the other hand Morgan will give the new bank the advantages of the dynamic and aggressive management which have brought customers from far & wide to bank at 23 Wall.

On news of the combination, equities of both institutions deposited substantial rises in the over-the-counter market. Guaranty shares moved up from 88 to 92 bid while Morgan stock advanced from 345 to 386. However based on the merger terms, Morgan is mathematically worth about 405 when Guaranty commands 92.

Production Personalities

Ed Parkes of United Gas Foresees Continued Progress and Profits

PRESIDENT Ed Parkes (just plain "Ed," not even an initial) gazed thoughtfully at the bright sunshine outside his Shreveport office and said: "The pace of this business surprises even us. In 1950 we signed a contract with Houston Lighting & Power to cover their needs for the next 15 to 20 years. But demand grew so fast that several years ago they exceeded the peak covered by that contract. Now we have superseded it with a new one which we hope will take care of their needs for some time.

"We have many similar examples in our service territory * * * we're not complaining about too much business but it certainly keeps us on the jump." Articulate Ed Parkes is the newly elected president (June 18) of United Gas Corp, world's largest handler of natural gas with almost three-quarters of a billion assets.

While Ed checked some figures in a comprehensive 32-page booklet called "Historical Financial and Operating Data 1930-1957," well-tailored board chairman Norris Cochran McGowen strode into the office and added: "Of course, we've been expecting a boom in the Gulf South for decades but the thing is better than we ever expected."

Norris McGowen can talk with authority since he audited oil & gas company books as early as 1913 and has been a top man in United Gas since the moment it was born in 1930. The original parents were Electric Power & Light and Electric Bond & Share but the majority of their stock interest was disposed of in 1949 and 1955 under Government order. "Bond & Share" still owns 640,000 shares, just under 5% but still enough to make it the largest single owner.

Team Work. Mssrs McGowen & Parkes have worked closely in the 30 years since young Ed joined a predecessor company as design engineer. McGowen is a handy fellow with figures and finance while Ed has devoted years to such important facets of the business as production, transmission and customers. More recently he has broadened his scope as an active director of such national organizations as the American Petroleum Institute and the American Gas Association. Says McGowen: "He's getting good use out of that degree from the University of Arkansas."

Executive teamwork is needed these days since United Gas is headed into one of the most active periods in its already fast-paced career. Asked about the recent Supreme Court decision in the famed "Memphis Case," Ed Parkes grinned: "A sound and logical decision which will be helpful to the whole gas industry * * * it certainly eliminates another problem in our business—where, like everywhere else, we have them large and small."

Big numbers are routine at United Gas. In the eleven years ended on New Year's Eve the company

Chairman McGowen . . .

had invested over $620,000,000 in construction, development and modernization. Capital expenditures for 1959 probably will compare with last year's total of $70,000,000 but will not equal the hundred-million plus years of 1951-52. The company raised this huge barrel of cash through normal cash flow plus sale of bonds and common stock.

Ed Parkes states pointedly: "Sure our funded debt is over $370,000,000 but we're proud our equity capital represents 43% of our capitalization—and it's all common stock. We are in fine shape." At latest count there were 12,885,000 shares outstanding owned by a small army of 52,000 shareholders ("We get more of 'em every day and like it").

Profit Picture. United Gas has a filigree of pipeline and compressor stations extending from Laredo on the Mexican border, across east, south and central Texas, all of Louisiana and Mississippi and reaching into south Alabama and northwest Florida. At wholesale or retail, the company supplies gas to over 625 communities with some 5,250,000 population. Right now revenues are running slightly above 1957's record $300,564,000 with a rousing 82% from the sale of natural gas. The balance of revenues comes from sale of crude oil and gasoline and a husky business in sulphur and potash. United has a 75% interest in Duval Sulphur & Potash. An important US sulphur producer Duval scored record sales of $14,000,000 in 1957, though they slipped slightly last year.

The company also has a half interest in Escambia Chemical (the other 50% is owned by Bond & Share). Escambia produces ammonia, ammonia nitrate, polyvinyl chloride and other industrial and agricultural chemicals. Ed Parkes is optimistic about the prospects of Escambia. He is equally cheerful about Duval's new copper mine which should go into production in February or March of this year.

To refine gas sales a bit further, roughly 50% comes from industrial customers, 35% from public utilities and other pipe lines and most of the balance from residential and commercial houses like banks, stores and restaurants. Says Ed: "We pick up about 20,000 new customers a year—this area booms all the time."

Nobody knows better than Ed Parkes that all the customers in the US would be a liability without the

uff to sell. United Gas has it. Says e president: "Our supply situation good. Our basic aim is always to nd or buy more gas than we sell. f course, some years we do better an others—for example, in 1958 e placed under long-term contract most twice as much as we with-rew. Geography also favors us. Our s reserves are all located in the ulf South. So are our customers."

This large but well-integrated sys-m has produced some impressive nancial results. Total dollar rev-ues have leaped five-fold since 45 while net profits have multi-ied about four times to 1957's cord $32,357,000. Since 1950 the mmon stock has punched to a new cord high every year on the Big ard; at Christmas time it traded ound 38 to yield 4% on the esent $1.50 dividend. Mused Ed rkes: "I don't know much about e stock market but with some ares selling at thirty, forty or en fifty times earnings it's hard think our stock is over-valued fifteen times."

This type of analysis is easy for l Parkes who likes to tinker with ings mechanical and see what akes them work. When he was 15 put together his own Model T rd from parts found here & yon. day his mechanical engineering ploma is a help when he fixes his fe's gas-fired washer dryer and ner household appliances. He en-neered and built his own hi-fi set.

By the nature of things, most of 's business problems are long nge rather than month-to-month. he says: "Unless the weather

. . . and president Parkes

goes haywire, we can predict next month's revenues with a fair degree of accuracy." A serious problem is constantly rising costs. For example purchased natural gas now costs about 13¢ mcf compared with 9½¢ in 1955 and less than 3½¢ in 1947. The trend is irresistibly up since new gas purchases run between 20 and 25¢. Aside from inflation, the price rise reflects sharply higher development and drilling costs.

Says Ed Parkes: "We don't like it but we must live with it. To protect our stockholders, our employes and our customers we must constantly press for higher rates. As Justice Harlan said in his majority opinion — 'natural gas companies should not be prevented from increasing the price of their product whenever it is necessary to keep income and outgo in proper balance.' "

Go Into Debt and Make Money

Income Debentures
Mean Tax Savings
For Many Railroads

IT IS solid financial practice to reduce debt—but not always. Many a railroad president would rather exchange preferred stock for bonds. In the past five years at least ten roads have exchanged large blocks of their preferred stock for income debentures.

Now aboard this money round table is the Virginian Railway, a 611-mile road which shuttles between Norfolk and the West Virginia coal fields. The road has offered to swap each of its 2,800,000 shares of 60¢ preferred for a 6% income debenture due 2008. Since the switch is voluntary on the part of stockholders, the Virginian has added a little bait—the principal amount of each debenture is $11.50 or 15% higher than the par value

ML's Pauline Flannery shows bonds

of the preferred. The new debenture holders also will receive 15% more income—equivalent to an increase from 60¢ to 69¢ a share. Last week the preferred sold at 13 on the NYSE.

Virginian president Frank D Beale gave "two really compelling reasons" for the swap. First, "the preferred stock is non-callable * * * We want to substitute a security which while not callable immediately will become so in 1968."

Secondly, "the exchange will increase net income on our common stock in the immediate future." The money saved in taxes can be used for just about anything—more dividends, new equipment or retirement of some of the bonds themselves.

The biggest advantage is tax savings for the carrier. Bond interest can be charged before income taxes while dividends come after taxes. President Beale reports: "If the exchange is accepted 100%, we will save $751,000 a year or 24¢ a common share a year."

However he stands little chance of getting 100% conversion because some corporate owners of the preferred may become reluctant dragons. Under present US tax laws, corporations receive an 85% exemption on dividends from other corporations. Hence preferred dividends are taxed at roughly 8% *v* 52% on bond interest. The Virginian refuses to admit how much of its preferred is "corporately" held but it is common knowledge there are some big owners.

Historical Notes. Railroad in-

come bonds became widespread in the Thirties & Forties when more than one-third of all US roads were financially derailed. Today the railroads are still the largest issuers of these securities.

When he exchanges preferred stock for debentures the investor gives up his ownership in the company and becomes a creditor. As such he has priority over all stockholders. But income bonds are not secured by any mortgage so the owner is last on the creditor list.

Income debentures are a "hybrid security" in some respects more akin to a preferred stock than a bond. Like preferred dividends, interest payments depend upon earnings. Interest is not mandatory and failure to pay does not mean bankruptcy. If no portion of the interest is earned, payment can be deferred; however until back interest is paid, no dividends can be declared.

Interest on income bonds must be paid if earned. When not earned it is sometimes paid if funds are available from previous years and if prior charges have been met. Hence the prospective debenture holder is smart to eye a road's balance sheet as well as previous earnings.

An Easier Route. Some debt-for-stock swaps are not up to the option of stockholders as in the case of the Virginian. Many preferred stocks are callable and the carrier can redeem the stock and issue debentures. The Chicago, Rock Island & Pacific used this method in 1955 when it sold $62,500,000 worth of 4½% income debentures to retire 650,000 shares of preferred. However if its preferred stock is non-callable the road must offer its preferred stockholders a voluntary exchange. These often contain such sweeteners as a fraction of a common share, a small amount of cash or (as with the Virginian) higher par value for the debenture.

Among the recent voluntary conversions:

- In 1955 the Erie Railroad swapped 68% of its $5 preferred stock for new 5% income debentures. The line estimated it saved $770,000 a year or 32¢ a common share.
- The same year the Chicago, Milwaukee, St Paul & Pacific exchanged 54% of its $5 Series A preferred for $60,000,000 of 5% income debentures due 2055. Estimated annual saving: $1,560,000.
- The Chicago & Eastern Illinois in 1956 exchanged 80% of its $2 Class A stock for $12,300,000 of 5% income debentures. Estimated saving: $320,000.
- In 1956 and 1957 the St Louis-San Francisco Railway retired 331,000 shares of its $5 preferred stock in a package deal of one debenture and a quarter share of common for each share of preferred. The annual tax saving is $860,000.
- The Western Maryland Railway early in 1957 traded 95% of its non-callable 7% preferred for 5½% debentures plus callable $1.50 first preferred ($30 par).
- The Gulf, Mobile & Ohio recently extended its exchange offer to February 20. It wants to convert its $5 preferred into 5% debentures due 2056. To date more than 100,-

000 of the 276,000 preferred shares have been exchanged for the bonds.

There have also been some notable refinancing operations which affected preferred holders. In 1954 the Western Pacific sold an issue of income debentures to redeem 308,000 shares of $5 preferred. The next year the Illinois Central sold 3½% debentures to redeem its old 6% convertible preferred (in this case, most holders switched to common).

The same tax savings are available to other corporations but so far few have exchanged their stock for debentures. Two exceptions: giant meat packer Armour & Company which issued $60,000,000 worth of 5% subordinate debentures in 1954 and retired 500,000 $6 preferred shares; North American Car which in August sold bonds to retire its preferred at an annual saving of some 29¢ a share.

Some Problems. All corporations like to save money but they are aware of the handicaps in debt-for-stock. Industrial companies with highly cyclical earnings dislike to risk a high debt structure. Some managements do not want any debt.

For railroads the story is different—bonds are traditional. With at least ten railroads already saving hard cash via debt-for-stock, several more are considering the plan. Among them: big guns Union Pacific, Atchison, Topeka & Santa Fe.

Even the ICC favors this type of refinancing. When it approved the Chicago & Eastern Illinois deal the ICC said: "Under the proposed recapitalization plan, the railroad can deduct interest on the debentures from earnings before Federal income taxes and thereby effect an annual saving of approximately $400,000 assuming continuation of the present 52% tax rate and normal earnings. This saving would materially assist the applicant in retiring equipment obligations and enable it to strengthen its financial position. It will also benefit all groups of security holders."

LETTERS

Maytag Generations

NEWTON, IOWA

GENTLEMEN:

Thanks for your lively and accurate reporting of Maytag in the December 10 issue. One tiny error, for which you certainly aren't responsible, but which I call to your attention for future reference. I am actually the fourth Maytag to head the company, although the third generation. Previous presidents were my grandfather F L Maytag (deceased 1937), my father E H Maytag (deceased 1940) and my uncle L B Maytag of Colorado Springs who has been retired for many years but who is still a director of our company.

Very truly yours,
FRED MAYTAG II, president
The Maytag Company

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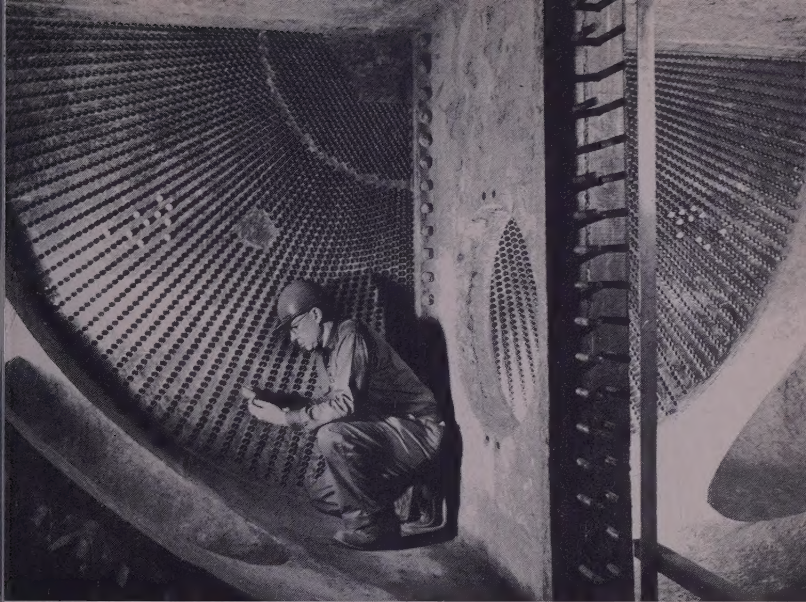

POWER PLAY

This studious workman is carefully checking the first condenser to be ompletely outfitted with stainless steel tubes. Installed last Summer by llegheny Ludlum Steel Corp at Monongahela Power Company's plant in iversville, W Va, the new tubes have a life expectancy of 30 years or hree times that of the usual copper tubing. Allegheny expects additional rders from power companies within the next two months.

Stainless steel products account for half of Allegheny volume. Besides varied line of tubes it turns out stainless cables, strip, sheet and bars. he No 1 stainless steel producer is also a big fabricator of electrical and agnetic steel and nuclear metals such as zirconium, uranium, columbium nd molybdenum. Through subsidiary Titanium Corp of America (owned intly with National Lead), it turns out titanium sponge, mill products and lloys.

Allegheny's varied products go to an even more varied group of ndustries. Most important: electrical machines, autos and aircraft. Despite s diversified customer list, business has tarnished in the past few years. fter a 7% drop in 1957 volume, 1958 sales fell further. Profits for the ear just ended are estimated at $1.50 a share, down from $3.02 a year go and a record $4.12 in 1955. Nonetheless the company optimistically tates "the upturn has finally come. It started modestly in the third quarter."

HYPERBOLE PROHIBITED

"Promise, large promise, is the soul of an advertisement," said Dr. Johnson. And he was right.

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